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# FOREIGN SERVICE DESPATCH

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FROM : AMEMBASSY, GUATEMALA — 770 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — March 6, 1953 DATE

REF : —

Action Assigned to

Action Taken

| 24 For Dept. Use Only | ACTION | DEPT. |
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| | REC'D MAR 9 | OTHER ARMY NAVY AIR OSD CIA |

Action Office Symbol 3-10-53

SUBJECT: Joint Weeka No. 10 for State, Army and Air Departments from S - Section I

Action Office Symbol IAD

Name of Officer Vinyette

Disposition to Files

DECLASSIFICATION DATE 11/30/78
PER Chronology OFFICE ARA
FADRC FOI CASE NO. 740332

## SUMMARY

During the past week, President ARBENZ delivered his annual message to Congress which was militant and uncompromising in tone, showed no intention of restraining extreme leftist elements, and reaffirmed his determination to carry out the Agrarian Reform despite all opposition. He said he would not budge one millimeter from the policy of granting freedom of organization to "all, absolutely all, social classes", a statement which evoked strong applause from Communist and leftist Deputies.

The President also took a strongly nationalist line towards foreign investments, foreshadowing the expropriation under the Agrarian Reform Law of 207,000 acres of the United Fruit Company's Guatemalan holdings. Three days later, the company was formally notified that the President had rejected its appeal against the agrarian authorities' order for the expropriation of the greater part of its Pacific coast landholdings.

In the field of foreign affairs, the President's address made clear Guatemala's opposition to the Salvadoran proposal that the May meeting of the CDECA should discuss control of Communism and reflected his resentment of "malevolent and interested" foreign publicity directed against Guatemala.

## DOMESTIC AFFAIRS

In his message delivered personally at the opening session of Congress on March 1, President Arbenz noted that the Agrarian Reform had divided the nation between those wholly with the 1944 Revolution and those wholly opposed to it, with no place left for a middle ground. He said Agrarian Reform was fundamental to his Government's policy of ensuring a system of "modern capitalism" for Guatemala.

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He also asserted his Government had continued to guarantee the right to freedom of opinion and organization to "all, absolutely all, social classes and sectors" and he did not intend to budge from that position, a statement received with evident relish and strong applause by the Communists and far left.

Before hearing the President's address, Congress elected as its 1953-54 President Guillermo OVANDO Arriola, a relatively obscure Partido Accion Revolucionaria (PAR) Deputy and agricultural union leader who is said to be more moderate than his predecessors, Roberto ALVARADO Fuentes (1950-51) and Julio ESTRADA de la Hoz (1951-52). This move to some extent reflected the unpredictable role of personal frictions in local politics since Ovando's election was reportedly the result of a successful maneuver by Humberto GONZALEZ Juarez, a member of the PAR Political Committee, against Alvaro Hugo SALGUERO, provisional PAR Secretary General, who had been prominently mentioned for the place.

## AMERICAN INTERESTS

The United Fruit Company's Guatemalan branch was notified on March 4 that President Arbenz, acting in his capacity as the final arbiter in Agrarian Reform matters, had denied the company's appeal against the National Agrarian Council's decision expropriating some 207,000 of the 269,000 acres owned by the Compania Agricola de Guatemala (UFCO subsidiary) on the Pacific coast. The President upheld the Council's earlier decision (Weeka 9) without modification. The acreage affected is not planted in bananas.

The Administration's policy of lessening the influence of established U.S. enterprises in Guatemala's economy was reflected in the President's emphasis on the Government's determination to proceed with construction of the Atlantic Highway and to build with "completely national resources" a new Atlantic port at Santo Tomas, three miles from Puerto Barrios, and a 30,000-kilowatt State-owned electric power plant near Guatemala City. These projects, when completed, would affect the interests of the U.S.-owned railway IRCA, the IRCA and UFCO installations at Puerto Barrios and the Empresa Electrica's dominant position in power supply.

## FOREIGN AFFAIRS

In his address to Congress, President Arbenz twice revealed sensitivity to adverse foreign publicity directed against Guatemala, alluding at one point to "malevolent and interested" anti-Government propaganda at home and abroad and later referring to "international press enterprises which carry out treacherous and

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systematic campaigns against some countries", including Guatemala.

In another passage evidently directed against the Salvadoran proposal that the ODECA discuss Communist infiltration at its May session, he said "those who have misunderstood the character of that Organization think that it can resolve domestic political questions in individual countries and no doubt this is the reason that Central American relations are apparently less cordial today", than they were before the formation of the ODECA.

Meanwhile, the President on February 28 formally inaugurated a newly-paved 25-mile stretch of the Inter-American Highway in a ceremony which again indicated that the Guatemalan Government was anxious to re-enlist the support of the United States in going forward with the construction. He sent a personal invitation to the American Ambassador, and the newspaper publicity gave recognition to the U.S. contribution to the highway.

R. E. Schoenfeld

Rudolf E. Schoenfeld

Copies: Other C.A. Missions
and routine

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